

## Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 COME-00 L-03 SP-02 ICA-11  
AID-05 NSC-05 TRSE-00 SS-15 STR-07 OMB-01 CEA-01  
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E.O.11652: N/A  
TAGS: HU, EEWT  
SUBJECT: HUNGARIAN-U.S. FIRMS SIGN MAJOR CONTRACT

1. UNCLASSIFIED . THE PRESIDENTS OF THE EATON CORPORATION AND THE RABA RAILWAY CARRIAGE AND MACHINE WORKS SIGNED AN AGREEMENT JULY 7 PROVIDING FOR THE AMERICAN FIRM TO PURCHASE TRUCK AXLES AND COMPONENTS VALUED AT AT LEAST \$300 MILLION OVER A PERIOD OF TEN YEARS. THE AGREEMENT ENVISAGES SIGNIFICANT SALES BY EATON TO RABA OF MACHINERY, LICENSES, AND VEHICLE TRANSMISSIONS. DETAILS OF DELIVERIES ARE TO BE NEGOTIATED PERIODICALLY WITHIN FRAMEWORK OF AGREEMENT; RABA PRESIDENT EDE HORVATH IS QUOTED IN PRESS REPORTS AS SAYING RABA WILL DELIVER AXLES WORTH \$4 MILLION IN 1979 AND \$15 MILLION IN 1980. THE AGREEMENT HAD BEEN UNDER DISCUSSION FOR EIGHTEEN MONTHS, AND WAS SIGNED ON DAY U.S.-HUNGARIAN TRADE AGREEMENT WENT INTO EFFECT. END UNCLASSIFIED

2. LOU. EATON PRESIDENT PAUL MILLER ATTENDED EXCHANGE OF NOTES PUTTING TRADE AGREEMENT INTO EFFECT AT EMBASSY'S INVITATION, AND LATER CALLED ON AMBASSADOR TO DISCUSS EATON-RABA CONTRACT. AMBASSADOR ATTENDED HIGH-LEVEL DINNER HOSTED BY RABA FOLLOWING SIGNING. ACCORDING TO MILLER, NEGOTIATIONS WERE LONG AND DIFFICULT BUT SHOULD  
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RESULT IN HIGHLY BENEFICIAL ARRANGEMENT FOR BOTH PARTIES. EATON HAD DIFFICULTY IN AGREEING TO LONG-TERM PURCHASE COMMITMENT, BUT FINALLY AGREED AS RABA NEEDED LONG-TERM ASSURANCES TO UNDERTAKE NECESSARY INVESTMENTS. IN AGREEING TO \$300-500 MILLION COMMITMENT OVER TEN YEARS (ACTUALLY CLOSER TO TWELVE SINCE SHIPMENTS WILL NOT BEGIN IMMEDIATELY) EATON COUNTED ON AVERAGE INFLATION RATE

OF 6 PERCENT TO REDUCE THE REAL VALUE OF ITS COMMITMENT.  
MILLER SAID MOST OF GOODS TO BE PURCHASED WILL DISPLACE  
OTHER IMPORTS RATHER THAN DOMESTIC U.S. PRODUCTION.

3. MILLER EXPECTS AGREEMENT WILL GENERATE SIGNIFICANT  
EATON SALES TO RABA. IN ADDITION TO LICENSES AND MACHINERY,  
RABA HAS ALREADY ORDERED \$1 MILLION WORTH OF EATON  
TRANSMISSIONS FOR A LARGE CONSIGNMENT OF RABA HEAVY TRUCKS  
SOLD TO YUGOSLAVIA. MILLER IS COUNTING ON THE RABA  
CONNECTION TO OFFER OTHER SIMILAR OPENINGS INTO THIRD-  
COUNTRY MARKETS. IN ADDITION TO RABA TRUCKS, MILLER  
WOULD LIKE TO SELL COMPONENTS TO THE IKARUS BUS COMPANY  
FOR SOME OF ITS EXPORT MODELS.

4. COMMENT: CHIEF EATON COMPETITOR ROCKWELL INTERNATIONAL  
HAS SUPPLIED AXLES FOR IKARUS BUSES CURRENTLY BEING  
TEST-MARKETED IN THE U.S. ROCKWELL EXECUTIVE A.P.  
RONAN TESTIFIED AT SENATE FINANCE COMMITTEE HEARINGS ON  
U.S.-HUNGARIAN TRADE AGREEMENT, WARNING THE CONGRESS  
OF" . . . THE PROBABILITY OF A SIGNIFICANT DISRUPTION  
OF THE UNITED STATES HEAVY-DUTY AXLE INDUSTRY ONCE SUCH  
AN AGREEMENT IS SIGNED." ALTHOUGH MILLER DISCLAIMED  
ANY CONCERN THAT ROCKWELL HAS A BASIS FOR A SUCCESSFUL  
ANTI-DUMPING OR MARKET DISRUPTION SUIT, EMBASSY FEARS  
WE MAY HEAR MORE ABOUT HUNGARIAN AXLES WHEN TRADE  
AGREEMENT IS DUE FOR RENEWAL IN THREE YEARS. ASIDE  
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FROM THIS DISTANT CLOUD ON THE HORIZON, EATON-RABA  
AGREEMENT SHOULD PROVE TO BE A MUTUALLY BENEFICIAL  
ARRANGEMENT. IT WAS FORTUITOUS BUT APPROPRIATE THAT  
CONTRACT SHOULD HAVE BEEN SIGNED ON THE DAY THE TRADE  
AGREEMENT WENT INTO EFFECT. END COMMENT. END LOU  
KAISER

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## Message Attributes

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**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** CONTRACTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 11 jul 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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**Status:** NATIVE  
**Subject:** HUNGARIAN-U.S. FIRMS SIGN MAJOR CONTRACT  
**TAGS:** EEWT, HU  
**To:** STATE  
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